BLUEHUB LOAN FUND, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

BLUEHUB LOAN FUND, INC. AND AFFILIATES

Contents
December 31, 2024 and 2023

50 Washington Street
Westborough, MA 01581
508.366.9100
aafcpa.com

Independent Auditor's Report

To the Board of Directors of
BlueHub Loan Fund, Inc. and Affiliates:

Opinion

We have audited the consolidated financial statements of BlueHub Loan Fund, Inc. (a Massachusetts corporation, not for profit) (the Loan Fund) and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the related consolidated statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of BlueHub Loan Fund, Inc. and Affiliates as of December 31, 2024 and 2023, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Loan Fund and Affiliates and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As explained in Note 1 to the consolidated financial statements, the Loan Fund and Affiliates are part of an affiliated group of companies and have entered into transactions with certain group members. As required under accounting principles generally accepted in the United States of America, the consolidated financial statements of the Loan Fund and Affiliates are also consolidated with those of the affiliated group. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the Loan Fund and Affiliates' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Loan Fund and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the Loan Fund and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

AAFCPAs, Inc.

Westborough, Massachusetts
April 25, 2025

BLUEHUB LOAN FUND, INC. AND AFFILIATES

Consolidated Statements of Financial Position
December 31, 2024 and 2023

Assets	**2024**	**2023**
Current Assets:		
Cash and cash equivalents	$ 121,141,587	$ 79,505,256
Escrow funds	875,499	866,196
Accounts, grants and other receivables	778,935	183,811
Accrued interest receivable	3,537,728	2,659,379
Subtotal	126,333,749	83,214,642
Current portion of loans receivable	66,063,381	54,380,897
Allowance for credit losses as of December 31, 2024 and 2023	(1,098,124)	(457,791)
Net current portion of loans receivable	64,965,257	53,923,106
Current portion of affiliate loans receivable	5,000,000	-
Total current assets	196,299,006	137,137,748
Restricted Cash	36,201,478	20,412,157
Loans Receivable, net of current portion	264,333,254	194,049,867
Allowance for credit losses as of December 31, 2024 and 2023	(2,215,946)	(2,702,479)
Net loans receivable	262,117,308	191,347,388
Affiliate Loans Receivable, net of current portion	-	5,000,000
Total assets	$ 494,617,792	$ 353,897,293
Liabilities and Net Assets		
Current Liabilities:		
Current portion of loans payable	$ 21,847,494	$ 8,223,391
Current portion of permanent loan capital - subordinated loans payable	900,000	-
Accounts payable	370,195	398,508
Accrued interest	2,345,970	1,587,437
Due to affiliates	1,131,113	209,968
Escrow funds	875,499	866,196
Conditional advances	7,696,446	4,336,446
Total current liabilities	35,166,717	15,621,946
Bonds Payable, net	161,523,613	74,508,428
Loans Payable, net of current portion	119,444,812	108,777,290
Permanent Loan Capital - Subordinated Loans Payable, net of current portion	23,350,000	24,250,000
Total liabilities	339,485,142	223,157,664
Net Assets:		
Without donor restrictions:		
General	84,168,167	72,794,946
Board designated for loan loss reserves	13,508,742	9,555,826
Total without donor restrictions	97,676,909	82,350,772
With donor restrictions:		
Revolving loan capital	57,455,741	44,413,970
Other financial assistance	-	3,974,887
Total with donor restrictions	57,455,741	48,388,857
Total net assets	155,132,650	130,739,629
Total liabilities and net assets	$ 494,617,792	$ 353,897,293

The accompanying notes are an integral part of these consolidated statements.

BLUEHUB LOAN FUND, INC. AND AFFILIATES

Consolidated Statements of Activities
For the Years Ended December 31, 2024 and 2023

	2024	2023
Net Assets Without Donor Restrictions:		
Operating revenues:		
Financial and earned revenues:		
Interest on loans, net	$ 18,248,630	$ 12,858,276
Interest on cash and cash equivalents	2,567,806	2,576,989
Loan fees and other	1,756,130	1,535,347
Less - net credit loss provision	(153,800)	(165,225)
Less - interest expense	(7,487,093)	(5,304,935)
Net financial and earned revenues	14,931,673	11,500,452
Net assets released from purpose restrictions	100,000	175,000
Total operating revenues	15,031,673	11,675,452
Operating expenses:		
Personnel	5,082,950	4,224,308
Office operations	1,194,213	637,244
Consultants	344,413	405,008
Professional fees	336,312	261,986
Other	305,155	345,940
Marketing	204,929	198,167
Total operating expenses	7,467,972	6,072,653
Changes in net assets without donor restrictions from operations	7,563,701	5,602,799
Other changes in net assets without donor restrictions:		
Net assets released from restrictions for loan capital	7,762,436	4,500,000
Grants for loan capital	-	1,962,564
Changes in net assets without donor restrictions	15,326,137	12,065,363
Net Assets With Donor Restrictions:		
Grants and contributions	16,140,000	18,473,441
Interest income	789,320	550,342
Net assets released from purpose restrictions	(100,000)	(175,000)
Net assets released from restrictions for loan capital	(7,762,436)	(4,500,000)
Changes in net assets with donor restrictions	9,066,884	14,348,783
Changes in net assets	$ 24,393,021	$ 26,414,146

Consolidated Statements of Changes in Net Assets
For the Years Ended December 31, 2024 and 2023

	Without Donor Restrictions		With Donor Restrictions		
	General	Board Designated for Loan Loss Reserves	Revolving Loan Capital	Other Financial Assistance	Total
Net Assets, December 31, 2022	$ 63,720,129	$ 6,565,280	$ 30,940,074	$ 3,100,000	$ 104,325,483
Changes in net assets	12,065,363	-	13,473,896	874,887	26,414,146
Transfers of net assets without donor restrictions	(2,990,546)	2,990,546	-	-	-
Net Assets, December 31, 2023	72,794,946	9,555,826	44,413,970	3,974,887	130,739,629
Changes in net assets	15,326,137	-	13,041,771	(3,974,887)	24,393,021
Transfers of net assets without donor restrictions	(3,952,916)	3,952,916	-	-	-
Net Assets, December 31, 2024	$ 84,168,167	$ 13,508,742	$ 57,455,741	$ -	$ 155,132,650

BLUEHUB LOAN FUND, INC. AND AFFILIATES

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities:		
Changes in net assets	$ 24,393,021	$ 26,414,146
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Grants for loan capital, credit enhancement and investment uses	(16,140,000)	(20,436,005)
Interest - amortization	109,752	115,453
Net credit loss provision	153,800	165,225
Loans payable converted to grants	(27,000)	-
Changes in operating assets and liabilities:		
Interest receivable	(897,588)	(454,798)
Accounts, grants and other receivables	(595,124)	(112,512)
Accounts payable	(28,313)	(97,047)
Accrued interest	758,533	85,658
Due to affiliates	921,145	24,064
Deferred loan fees	187,674	319,407
Net cash provided by operating activities	8,835,900	6,023,591
Cash Flows from Investing Activities:		
Principal payments of affiliate loans receivable	-	1,500,000
Issuance of loans receivable	(115,729,489)	(97,612,004)
Principal payments of loans receivable	33,595,183	32,053,992
Net increase in escrow funds liability	9,303	137,014
Net cash used in investing activities	(82,125,003)	(63,920,998)
Cash Flows from Financing Activities:		
Proceeds from loans payable	30,729,740	52,007,806
Proceeds from bonds payable	87,681,174	-
Principal payments on loans payable	(6,395,890)	(12,812,754)
Conditional advances	4,500,000	3,500,000
Grants for loan capital	15,000,000	15,012,451
Cash paid for debt issuance costs	(790,966)	(42,761)
Net cash provided by financing activities	130,724,058	57,664,742
Net Change in Cash, Cash Equivalents and Restricted Cash	57,434,955	(232,665)
Cash, Cash Equivalents and Restricted Cash:		
Beginning of year	100,783,609	101,016,274
End of year	$ 158,218,564	$ 100,783,609
Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Consolidated Statements of Financial Position:		
Cash and cash equivalents	$ 121,141,587	$ 79,505,256
Escrow funds	875,499	866,196
Restricted cash	36,201,478	20,412,157
Total cash, cash equivalents and restricted cash shown in the consolidated statements of cash flows	$ 158,218,564	$ 100,783,609
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	$ 6,618,808	$ 5,103,824
Supplemental Disclosure of Non-Cash Flow Information (see Note 11):		
Acquistion of loans receivable	$ 5,619,864	$ -

The accompanying notes are an integral part of these consolidated statements.

1. OPERATIONS

BlueHub Loan Fund, Inc. (the Loan Fund), a Massachusetts nonprofit corporation, was organized in December 1984 to provide below-market rate capital to community-based organizations for the development of affordable housing. During 2011, BCC REO LLC (BCC REO), a Massachusetts limited liability company, was formed to hold real and personal property. The Loan Fund is the sole member of BCC REO, and its activities, if any, are included in these consolidated financial statements. BCC REO had no activity during 2024 and 2023.

In 1994, the Loan Fund's Board of Directors voted to expand its corporate purposes to include broader community development lending, which directly or indirectly benefits low-income or disadvantaged people or communities. The Loan Fund formed three affiliated Massachusetts nonprofit corporations:

- **BlueHub Capital, Inc.** (the Holding Company) creates and preserves healthy communities where low-income people live and work.

- **BCLF Managed Assets Corporation d/b/a BlueHub Managed Assets** (Managed Assets) manages, designs, implements, and evaluates programs on behalf of third parties that provide loan underwriting, management, servicing, and financial and managerial technical assistance services.

- **BCLF Ventures, Inc. d/b/a BlueHub Venture Fund** (the Venture Fund) assists small community-based businesses and entrepreneurs in starting, growing, and expanding businesses which strengthen the low-income business community.

The Loan Fund and the three affiliated nonprofit corporations operate cooperatively and are collectively referred to as the Corporation within these notes. To carry out its mission, the Corporation provides capital for sustainable community-based projects. These projects increase or preserve low-income housing or provide jobs or services for low-income or disadvantaged people or communities. The Corporation receives the money it invests in community-based projects from socially concerned investors, which include individuals, religious organizations, banks, and other financial intermediaries, foundations and corporations. A significant portion of the Corporation's projects are in New England and the Mid-Atlantic states. Because the affiliated nonprofit corporations are controlled by a common Board of Directors and management, the affiliated nonprofits and other controlled affiliates report their collective financial results and financial position in separately issued consolidated financial statements.

The four affiliated nonprofits also maintain interests in other affiliates, including the following entities with which the Loan Fund conducts substantive business:

- **SUN Initiative Financing, LLC** (SUN Financing), a Massachusetts limited liability company, established to finance the operations of the Stabilizing Urban Neighborhoods Initiative (SUN Initiative). SUN Financing is controlled by the Holding Company by virtue of common management. The goal of SUN Initiative is to stop the displacement of families and the neighborhood destabilizing effects of home vacancies and abandonment by enabling homeowners with overleveraged properties to stay in their homes.

- **BCC Solar Energy Advantage, Inc.** (SEA), a Massachusetts for-profit corporation, owned and controlled by the Holding Company, facilitates the delivery of solar energy to affordable housing projects and others.

1. OPERATIONS (Continued)

The Loan Fund entered into loan agreements with some of these affiliates (see Note 3). The Loan Fund also owes the Holding Company $471,113 and $209,968 as of December 31, 2024 and 2023, respectively, for costs that are shared among the related affiliates (see Note 2). The Loan Fund also owed Managed Assets $660,000 for the unwind of BCC NMTC XXIV; sub allocation fee payable (see Note 11). These amounts are reflected as due to affiliates in the accompanying consolidated statements of financial position.

Nonprofit Status

The Loan Fund is exempt from Federal income taxes as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Loan Fund is also exempt from state income taxes. Donors may deduct contributions made to the Loan Fund within the requirements of the IRC. BCC REO has elected to be treated as a disregarded entity of the Loan Fund for tax purposes.

Community Development Financial Institution

The Loan Fund has been granted status as a Community Development Financial Institution (CDFI) by the U.S. Department of the Treasury (the Treasury), qualifying it for certain awards and support from the Treasury. During 2024 and 2023, the Loan Fund received Capital Magnet Fund awards (see Note 2) of $4,500,000 and $3,500,000, respectively.

In connection with the assistance received from the Treasury, the Loan Fund is generally required to pursue specific performance goals and adhere to other requirements as outlined in each agreement with the Treasury. Failure to adhere to these requirements may result in discontinued Federal assistance from the Treasury, repayment of Federal assistance received, and ineligibility to receive future funding.

During fiscal year 2023, the Loan Fund was awarded $3,000,000 of conditional grants for additional CDFI awards for a variety of uses. Subsequent to year end, the Loan Fund was awarded $3,835,000 for additional CDFI awards for a variety of uses.

2. SIGNIFICANT ACCOUNTING POLICIES

The Loan Fund prepares its consolidated financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Consolidation

The consolidated financial statements include the accounts of the Loan Fund, BCC REO (see Note 1), BCC NMTC CDE XXIV, LLC (CDE XXIV) and USBCDC Investment Fund 191, LLC (the Investment Fund) (see Note 11). All intercompany transactions, if any, have been eliminated in the accompanying consolidated financial statements.

Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Loan Fund follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements,* for qualifying assets and liabilities. Fair value is defined as the price that the Loan Fund would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Loan Fund uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Loan Fund. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable, and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Cash and Cash Equivalents and Concentration of Risk

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of deposits, fixed income bonds and other highly liquid investments purchased with a maturity of three months or less, certain restricted depository accounts held in connection with the credit enhancement agreements (see Note 8), and escrow funds (see below).

Cash and cash equivalents are maintained in Massachusetts banks and are insured within limits of the Federal Deposit Insurance Corporation (FDIC). At times, cash and cash equivalents may exceed the insured limits. Management monitors, on a regular basis, the financial condition of the financial institutions, along with the Loan Fund's balances, to minimize potential risk.

Escrow Funds

The Loan Fund held cash balances of $875,499 and $866,196 in escrow for outside parties as of December 31, 2024 and 2023, respectively. These amounts are escrowed for the Loan Fund's borrowers for various purposes, including working capital reserves, replacement reserves, and construction fund escrows.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash and Credit Enhancement

Using the proceeds of grants from the U.S. Department of Education, the Loan Fund enters into credit enhancement agreements with charter schools and third-party lenders to act as the guarantor of loans to charter schools (see Note 8). Under the terms of the agreements, the Loan Fund deposits amounts into credit enhancement reserves held by the Loan Fund for the benefit of the lenders as collateral for the charter schools' loans. The agreements are in effect until the earlier of the maturity or early pay-off of the loans. If the charter schools default on the loans, the lenders are entitled to the collateral to the extent of the actual loss, not to exceed the designated credit enhancement reserve. All remaining collateral deposits and accrued income will be deposited back to the grant reserve funds at the expiration of the agreements and are then available for subsequent use in new credit enhancement transactions on a revolving basis. For accounting purposes, the Loan Fund accrues for losses against the credit enhancement reserves when losses are deemed probable and can be estimated. There were no losses incurred during 2024 or 2023. Due to the fact the Loan Fund has no credit exposure on loans deployed using these funds, those specific loans have been excluded in the ASC Topic 326 analysis for credit losses (see Note 4).

Loans Receivable and Allowance for Credit Losses

Loans receivable are reported net of related allowance for expected credit losses.

The allowance for credit losses (ACL) represents an amount which, in management's judgment, reflects the lifetime expected losses that may be sustained on outstanding loans at the consolidated statement of financial position date based on the evaluation of the size and current risk characteristics of the loan portfolio, past events, current conditions, reasonable and supportable forecasts of future economic conditions, and prepayment experience utilizing both quantitative and qualitative assessments. The allowance is measured and recorded upon the initial recognition of a financial asset. The allowance is reduced by charge-offs (net of recoveries of previous losses) and is increased or decreased by a provision (recovery) for credit losses, which is recorded as a current period expense (revenue). Such allowance is based on credit losses over the contractual term of the loan adjusted for expected prepayments, if any.

In connection with the adoption of ASU 2016-13, the Loan Fund made an accounting policy election to exclude interest receivable from the measurement of the ACL and follows a non-accrual policy to reverse any accrued, uncollected interest income as loans are moved to non-accrual status. The Loan Fund considers the length of time without payment from the borrower and other triggering events when determining that a loan should be moved to nonaccrual status and no longer recognize interest revenue on the loan.

The methodology for estimating the ACL includes a calculated allowance using the weighted-average remaining life to maturity (WARM) method as well as a specifically identified analysis for individual loans categorized as delinquent or have shown deterioration where utilizing the WARM method no longer represents an accurate credit loss exposure.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable and Allowance for Credit Losses (Continued)

Allowance for Credit Losses – WARM Method

The Loan Fund determined the ACL for the portion of the allowance calculated using the WARM method by pooling loans into segments based on similar characteristics, contract terms, collateral types, types of associated industries, and business purposes of the loans.

The Loan Fund segregated its portfolio into the following loan pools:

- Construction/Mini-Permanent
- Construction/Permanent
- Expansion
- Mini Permanent
- New Construction
- New Construction/Permanent
- Organizational
- Permanent
- Predevelopment
- Predevelopment/Mini-Permanent
- Rehabilitation
- Rehabilitation/Mini-Permanent
- Rehabilitation/Permanent
- Site Acquisition
- Startup

The Loan Fund elected to utilize a twenty-two-year lookback period for the WARM method calculation for all pools based on a lending portfolio that is comprised of amortizing loans to borrowers with varying maturities from the date of issuance. The twenty-two-year lookback period aligns with the most accurate depiction of management's assessment of history of loss and available quality data information in their systems.

The reasonable and supportable forecast period represents a current economic outlook (as of December 31, 2024 and 2023) for the applicable economic variables for the lifetime of the loan through maturity. Based on management's analysis, it was determined that the Rehabilitation (Mini-Permanent/Permanent), Predevelopment and Site Acquisition pools were the only pools that have experienced a history of loss within their lookback period. All other pools with no historical loss experience were removed from the WARM method calculations and are not part of the quantitative ACL. Although for consolidated financial statement disclosure purposes, the Loan Fund has historically grouped its lending portfolio into five broad categories (see Note 3), when analyzing credit exposure and risk of loss for CECL purposes, the Loan Fund has more defined categories within a broader set of criteria outlined in Note 3.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable and Allowance for Credit Losses (ACL) (Continued)

Allowance for Credit Losses – Individually Assessed Loans – Not Performing

The Loan Fund determines the ACL for specifically identified delinquent and other loans - representing borrowers who are past due in payments, have shown negative trends financially and/or significantly past due on principal and interest payments, by segregating these certain loans and conducting a separate ACL analysis distinct from the WARM method. The Loan Fund internally uses a number-based credit rating system, with “1” representing the highest quality/lowest credit risk and “8” representing the lowest quality/highest credit risk. Loans that are internally rated 5 through 8 were determined to be delinquent and removed from the overall WARM methodology performed on the remainder of the portfolio and analyzed individually under CECL. The Loan Fund has determined specific loss percentages to be applied to the loans in the internal rating categories of 5 through 8. These percentages were set based on if there is a potential weakness in the borrower and loan quality (5 rating assigned 5-10%), a definite weakness, but full loss is still unlikely (6 rating assigned 20%), if loss is possible as determined by management and the loan loss mitigation departments (7 rating assigned 50%), or if a full loss is probable (8 rating assigned 100%).

Off-Balance Sheet Credit Exposures

Unfunded lending commitments are reviewed to determine if they are considered unconditionally cancellable. The Loan Fund establishes reserves for unfunded commitments that do not meet that criteria, as a liability in the consolidated statements of financial position. Changes to the liability are recorded through the provision for credit losses in the consolidated statements of activities. The establishment of the reserves for unfunded commitments considers both the likelihood that the funding will occur and an estimate of the expected credit losses over the life of the respective commitments. The Loan Fund generally has two types of unfunded lending commitments. The first being general commitments on loans yet to be closed where the Loan Fund is still in the process of due diligence and has no credit exposure. The second being closed loans where all or a portion of the total commitment has yet to be drawn (see Note 3). There is also no credit exposure with the second type of commitments as the Loan Fund is not legally obligated to fund the remainder of the exposed loan if the borrowers do not meet certain milestones or provide proper requisitions for the funding. The borrower does not have the unilateral right to draw down additional funds without proper approvals by the Loan Fund. There were no unfunded lending commitments at December 31, 2024 and 2023, that would be required to recognize a liability in the consolidated statements of financial position.

Below-Market Rate Loans

U.S. GAAP requires nonprofit organizations to record interest expense and contribution revenue in connection with loans payable that are interest free or that have below-market interest rates. Likewise, funds loaned to borrowers at below-market interest rates should also result in imputed revenue and contribution expense. Interest rates on bonds and loans payable are disclosed in Notes 5 and 6. Interest rates on loans receivable are disclosed in Note 3. The Loan Fund believes that the benefits derived from below-market rate loans received are passed through to the borrowers via below-market rate loans made, and that there is no material difference between community development finance market rates and the stated rates of loans in their portfolios. Consequently, no adjustments have been made to the accompanying consolidated financial statements to reflect rate differentials.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net Assets Without Donor Restrictions include those net resources of the Loan Fund that bear no external restrictions. These include the Loan Fund's general net assets and net assets designated by the Board of Directors for loan loss reserves. Board designated net assets for loan loss reserves consist of amounts deemed available in the event of loan losses to provide a source of liquidity to meet financing and other obligations related to lending activities (see Note 4).

Net Assets With Donor Restrictions are unexpended financial resources restricted by donors as to the purpose or timing of expenditure. Net assets with donor restrictions are restricted for the following as of December 31:

	2024	2023
Revolving Loan Capital:		
ED Credit Enhancement	$ 36,201,478	$ 20,412,157
CDFI Capital Magnet	20,358,492	23,118,492
Permanent loan capital	895,771	883,321
Subtotal revolving loan capital	57,455,741	44,413,970
Other Financial Assistance:		
CDFI Fund awards	-	3,862,436
Other grants	-	112,451
Subtotal other financial assistance	-	3,974,887
Total	$ 57,455,741	$ 48,388,857

Revolving loan capital represents awards from the Department of Education for credit enhancement (see Note 8), CDFI Capital Magnet (see Note 1), and other permanent loan capital from donors (see below). The ED credit enhancement grant is used to provide credit enhancement in the form of securable collateral in connection with the financing of charter school facilities (see Note 8). The Capital Magnet awards are used to make loans to qualified projects. Each of these grants require that the proceeds be revolved for recurring use during the term of the respective agreements. Accordingly, the expended grant proceeds plus applicable donor-designated accumulations remain in net assets with donor restrictions until depleted by losses or until the agreements expire. The ED credit enhancement grants expire at various dates through 2047 (see Note 8. The Capital Magnet awards expire on various dates through May 2029. During 2024, the investment period ended for the 2017 Capital Magnet award and, accordingly, $3,900,000 was released from restriction, which is included in net assets released from restrictions for loan capital in the 2024 consolidated statement of activities.

Permanent loan capital is the term the Loan Fund uses to describe those capital resources which are intended to provide a permanent capital base for lending activities, meet debt covenants and provide for potential loan losses. The Loan Fund has three categories of permanent loan capital: net assets with donor restrictions, designated by the Board of Directors, and subordinated loans payable (see Note 6). No outside donor has imposed an obligation on the Loan Fund to replenish the principal of any gift of permanent loan capital in the event such funds are needed to offset loan losses. Accordingly, donor-restricted permanent loan capital awards are not considered to be perpetual in nature.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net Assets With Donor Restrictions (Continued)

Other CDFI Fund awards as of December 31, 2023, related to proceeds from the Healthy Food Financing Initiative and the Equitable Recovery Program, respectively. Other grants as of December 31, 2024 and 2023, related to miscellaneous awards received by private donors and foundations to support impoverished and low-income rural and urban communities.

Consolidated Statements of Activities

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and expenses in the accompanying consolidated statements of activities. Non-operating revenue includes loan capital transactions.

Revenue Recognition

Financial and earned revenues are generally recognized as revenue without donor restrictions as earned on an accrual basis. Interest income related to certain restricted revolving capital grants (see page 12) is restricted for use in qualified activities and is accordingly reported as net assets with donor restrictions.

The Loan Fund amortizes loan fees over the terms of long-term loans. Unamortized deferred loan fees are included as an adjustment to the carrying value of loans receivable in the accompanying consolidated statements of financial position (see Note 3).

Grants and contributions may be conditional or unconditional in accordance with ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. A grant or contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional grants and contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity, and other stipulations related to the grant or contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the Loan Fund fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as conditional advances.

Grants and contributions are recorded when unconditionally committed or when conditions are substantially met. Grants and contributions with donor restrictions are recorded as revenues with donor restrictions. Transfers are made to net assets without donor restrictions as costs are incurred or time restrictions or program restrictions have lapsed. Donor restricted grants received and satisfied in the same period are included in net assets without donor restrictions.

The Loan Fund records the amount of proceeds of certain Federal award programs, which it has not committed to qualifying projects, as conditional advances as mandated by the grant agreements. During 2024 and 2023, the Loan Fund received certain Federal grants totaling $4,500,000 and $3,500,000 in both years, which meets this criteria. Due to timing of the awards, $7,696,496 and $4,336,446 of the funds were not yet committed to qualifying projects as of December 31, 2024 and 2023, respectively, and are reported as conditional advances in the accompanying consolidated statements of financial position. The conditional advances as of December 31, 2024, are expected to be deployed or committed for qualifying projects in future periods.

All other revenue is recorded when earned.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

The affiliated companies comprising the Corporation (see Note 1) share various common expenses, including management salaries, benefits, and facility expenses. The accompanying consolidated financial statements include the share of these expenses allocable to the Loan Fund.

Expenses related directly to the Loan Fund's lending program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to different functions. The consolidated financial statements contain certain categories of expenses that are attributable to program and supporting functions and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include personnel and office operations, which are allocated based on an estimate of time and level of effort spent on the Loan Fund's program and supporting administrative and fundraising functions. The Loan Fund's operating expenses for the years ended December 31, 2024 and 2023, by their natural and functional classifications, are as follows:

	2024			
	Program	General and Administration	Fund-raising	Total
Personnel	$ 3,784,657	$ 1,298,293	$ -	$ 5,082,950
Office operations	68,817	1,125,396	-	1,194,213
Consultants	216,052	128,361	-	344,413
Professional fees	263,013	73,299	-	336,312
Other	199,162	105,993	-	305,155
Marketing	24,892	-	180,037	204,929
Subtotal operating	4,556,593	2,731,342	180,037	7,467,972
Interest expense	7,487,093	-	-	7,487,093
Provision for credit losses	153,800	-	-	153,800
Total	$ 12,197,486	$ 2,731,342	$ 180,037	$ 15,108,865

	2023			
	Program	General and Administration	Fund-raising	Total
Personnel	$ 3,175,638	$ 1,048,670	$ -	$ 4,224,308
Office operations	74,256	562,988	-	637,244
Consultants	121,892	283,116	-	405,008
Professional fees	204,447	57,539	-	261,986
Other	197,195	148,745	-	345,940
Marketing	-	-	198,167	198,167
Subtotal operating	3,773,428	2,101,058	198,167	6,072,653
Interest expense	5,304,935	-	-	5,304,935
Provision for credit losses	165,225	-	-	165,225
Total	$ 9,243,588	$ 2,101,058	$ 198,167	$ 11,542,813

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Loan Fund accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidated financial statements regarding a tax position taken or expected to be taken in a tax return. The Loan Fund has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidated financial statements at December 31, 2024 and 2023. The Loan Fund's information returns are subject to examination by the Federal and state jurisdictions.

Subsequent Events

Subsequent events have been evaluated through April 25, 2025, which is the date the consolidated financial statements were issued. See Notes 1, 6 and 12 for events that met the criteria for recognition or disclosure in the consolidated financial statements.

3. LOANS AND INTEREST RECEIVABLE

Portfolio Lending

The Loan Fund offers a variety of loan products of both short and long-term maturity. The Loan Fund offers term loans, as well as revolving and non-revolving lines of credit, for the following purposes:

Construction: for construction of residential (single-family and multi-family) and commercial properties.

Rehabilitation: for rehabilitation of residential (single-family and multi-family) and commercial properties.

Organizational: for organizational capacity building, recapitalization and/or providing operating capital.

Permanent: for long-term financing for newly constructed or rehabilitated or existing multi-family housing, community facilities or commercial real estate.

Mini-permanent: for short-term financing (typically structured with a maximum seven-year term with a balloon payment at maturity and amortize on an agreed upon schedule, generally up to 25 years) for newly constructed or rehabilitated or existing multi-family housing, community facilities or commercial real estate.

Predevelopment: for financing the upfront cost of real estate development projects prior to construction, such as for permitting, design and due diligence.

Site acquisition: for acquisition of property for development, whether for commercial or housing developments.

Loans receivable bear interest at rates ranging up to 9.20% and mature at various dates through 2055. The weighted-average rate of interest on loans was 6.30% and 5.91% as of December 31, 2024 and 2023, respectively. Borrowers generally include nonprofit community organizations, private developers, and businesses which benefit low-income individuals and communities. Loans receivable are generally made in connection with affordable housing and community development projects and are primarily collateralized by first or second mortgages on the property of the borrower. The Loan Fund also has some loans secured through third mortgages, all assets of the borrower, cash held by the lender, or other forms of collateral.

3. LOANS AND INTEREST RECEIVABLE (Continued)

Portfolio Lending (Continued)

Loans receivable of the Loan Fund are presented net of third-party loan participations of $54,980,443 and $45,603,842 as of December 31, 2024 and 2023, respectively. All loan participations qualify as loan sales in accordance with ASC Topic, *Accounting for Transfers and Servicing of Assets and Liabilities*. Interest on loans is presented net of interest of $3,086,967 and $2,432,858 collected on behalf of and paid to loan participants in 2024 and 2023, respectively.

The Loan Fund's loans receivable were as follows at December 31:

	2024		2023	
Type	Number of Loans	Net Loan Amount	Number of Loans	Net Loan Amount
Construction	44	$ 121,023,716	39	$ 90,083,139
Permanent	55	83,299,885	48	53,377,338
Site acquisition	28	72,166,612	30	51,713,917
Mini-permanent	13	30,836,980	13	27,112,118
Predevelopment	19	11,497,097	20	15,061,956
Rehabilitation	2	8,471,571	1	5,958,972
Affiliate loan	1	5,000,000	1	5,000,000
Organizational	6	4,160,370	4	6,014,486
	168	336,456,231	156	254,321,926
Less - Affiliate loan	1	5,000,000	1	5,000,000
	167	$ 331,456,231	155	$ 249,321,926

The majority of the Loan Fund's loans receivable are secured by real estate holdings in the New England and the Mid-Atlantic states and could be affected by adverse real estate markets and other economic factors in the region. Certain loans receivable from charter schools are also secured by approximately $14,013,000 and $13,461,300 of the Loan Fund's restricted cash dedicated to credit enhancement activities (see Note 8) as of December 31, 2024 and 2023, respectively.

Future minimum payments of principal for years ending after December 31, 2024, are as follows:

2025 (including affiliate loan)	$ 71,063,381
2026	38,558,987
2027	64,247,937
2028	53,739,851
2029	39,173,118
Thereafter	69,672,957
	336,456,231
Adjustment for deferred loan fees (see Note 2)	(1,059,596)
Less - allowance for credit losses (see Note 4)	(3,314,070)
Net loans receivable	332,082,565
Less - Affiliate loan	(5,000,000)
Less - current portion of loans receivable	(66,063,381)
Plus - current portion of allowance for credit losses	1,098,124
Net long-term portion	$ 262,117,308

3. LOANS AND INTEREST RECEIVABLE (Continued)

Portfolio Lending (Continued)

Loans receivable are as follows as of December 31, 2023:

Gross loans receivable	$ 254,321,926
Adjustment for deferred loan fees (see Note 2)	(891,162)
Less - allowance for loan losses (see Note 4)	(3,160,270)
Net loans receivable	250,270,494
Less - Affiliate loan	(5,000,000)
Less - current portion of loans receivable	(54,380,897)
Plus - current portion of allowance for loan losses	457,791
Net long-term portion	$ 191,347,388

The following is an aging analysis of the Loan Fund's past due portion of loan payments and principal at December 31:

	2024	2023
Total past due (30 - 90 days)	$ 3,093,863	$ 2,316,775
Total past due (greater than 90 days)	409,404	426,144
Total payments past due	$ 3,503,267	$ 2,742,919
Principal balance of 90-day delinquent loans (see page 19)	$ 401,245	$ 726,771
Current principal	336,054,986	253,595,155
	336,456,231	254,321,926
Less - Affiliate loan	5,000,000	5,000,000
Total loans receivable	$ 331,456,231	$ 249,321,926

Commitments to Lend

The Loan Fund had committed $83,022,713 and $118,394,575 for future disbursements on existing loan commitments and lines of credit to unrelated borrowers as of December 31, 2024 and 2023, respectively. Among the tools available to manage liquidity (see Note 10) are collections of existing loans receivable, lines of credit with financial institutions (see Note 6), as well as the potential to initiate loan sales and loan participation agreements with lending partners. As of December 31, 2024 and 2023, approximately $21 and $35 million, respectively, of the total was from commitments not closed and the remainder of approximately $62 and $83 million, respectively, was undisbursed amounts on closed loans of line of credits (see Notes 2 and 4).

Concentrations

The Loan Fund's loans receivable are subject to the economic conditions present in both the industry and the geographic region in which the funds have been deployed. Any economic disruptions experienced by the underlying borrower could potentially have an adverse effect on the Loan Fund's financial operations.

3. LOANS AND INTEREST RECEIVABLE (Continued)

Concentrations (Continued)

Below is a breakout of the Loan Fund's portfolio by asset class as of December 31:

Asset Class	2024	2023
Education	$ 138,708,330	$ 104,169,079
Housing	133,896,504	95,095,960
Commercial/Manufacturing	26,367,180	23,613,583
Healthcare	16,615,911	10,355,106
Other	15,868,306	16,088,198
Affiliate loan	5,000,000	5,000,000
	336,456,231	254,321,926
Less - Affiliate loan	5,000,000	5,000,000
Total	$ 331,456,231	$ 249,321,926

Below is a breakout of the Loan Fund's portfolio by geographical location as of December 31:

Location	2024	2023
Massachusetts	$ 95,829,670	$ 50,448,624
Texas	35,026,076	36,500,569
Tennessee	33,856,132	26,197,255
New York	32,740,958	25,902,116
Connecticut	25,196,218	20,768,704
Pennsylvania	17,948,358	12,202,545
California	14,563,850	8,446,174
New Jersey	13,564,460	9,333,991
Indiana	9,013,320	7,077,523
Ohio	7,825,367	6,875,749
Missouri	7,576,332	12,311,729
South Carolina	7,575,562	-
Virginia	5,423,816	5,201,170
District of Columbia	5,242,777	5,028,619
Louisiana	4,796,737	5,261,990
Mississippi	4,701,944	4,763,272
Alabama	4,105,878	4,054,441
Illinois	3,742,554	3,792,760
Maine	2,601,901	2,613,657
Maryland	1,913,622	1,228,486
Rhode Island	1,258,039	1,663,595
Georgia	1,112,301	3,802,062
New Hampshire	840,359	846,895
	336,456,231	254,321,926
Less - Affiliate loan	5,000,000	5,000,000
Total	$ 331,456,231	$ 249,321,926

3. LOANS AND INTEREST RECEIVABLE (Continued)

Loan Portfolio Quality and Leverage

Below is analysis of the Loan Fund's portfolio quality and leverage as of December 31:

	2024	2023
90-day Delinquency Rate	0.12%	0.3%
Principal Balance of 90-day Delinquent Loans	$ 401,245	$ 726,771
Annual Loan Write-offs/Loans Outstanding	0.00%	0.00%
Cumulative Historical Net Loss Ratio	0.18%	0.20%
Loan Loss Reserves (see Note 4)/Loans Outstanding (including Affiliate Loans)	5.00%	5.00%

Guarantee Agreements

The Loan Fund has a non-expiring loan guarantee agreement with the United States Department of Agriculture. The guarantee is intended to strengthen the Loan Fund's ability to finance loans to businesses in rural areas and thus stimulate economic growth in these areas. As of December 31, 2024 and 2023, there was an original guarantee of $4,600,000 for one loan receivable under this agreement. This loan is set to mature on September 1, 2042. As of December 31, 2024, the principal balance of this loan was $3,673,001, of which $3,487,040 was participated out to a third party. As of December 31, 2023, the principal balance of this loan was $3,769,637, of which $3,581,139 was participated out to a third party.

The Loan Fund has an eight-year loan guarantee agreement with a Virginia limited liability company. The guarantee is intended to strengthen the Loan Fund's ability to finance loans to affordable and supported housing communities and low-income communities. As of December 31, 2024 and 2023, there was a $3,000,000 guaranty for approximately a $15,000,000 pool for 12 loans receivable under this agreement. As of December 31, 2024 and 2023, the principal balances of the loans were $5,945,879 and $6,773,894, respectively.

Special Intermediary Lending

As of December 31, 2024 and 2023, the Loan Fund has entered into 185 and 171 arrangements, respectively, to act as the nonprofit intermediary to improve the economic value of Massachusetts historic and state low-income tax credits and grants to mission aligned projects. The Loan Fund received a donation of tax credits or grants from each project's sponsor and made loans to the respective project entity from the proceeds of the grant or the proceeds from sale of the credits to outside investors. The loans have interest rates ranging from 0% to 6.00%, which the Loan Fund will receive on the maturity dates through September 2075. As part of each arrangement, the Loan Fund receives fees up to .05% of the total loan, not to be less than $15,000. These fees are included in loan fees and other in the accompanying consolidated statements of activities and totaled $485,557 and $350,963 for 2024 and 2023, respectively.

Total committed principal balances are $837,073,220 and $735,653,856 as of December 31, 2024 and 2023, respectively. These loans have specific restrictions, and due to their long-term deferred nature and likelihood of collectability, the notes are fully reserved at December 31, 2024 and 2023. The provision associated with these allowances is netted with the value of the tax credit donations in the accompanying consolidated financial statements. As of December 31, 2024 and 2023, there was outstanding interest receivable on these loans of $414,959 and $442,870, respectively, which has been fully reserved in the accompanying consolidated financial statements.

3. LOANS AND INTEREST RECEIVABLE (Continued)

Affiliate Loans Receivable

SUN Financing

The Loan Fund entered into a Note Purchase Agreement and an initial unsecured note under this agreement with SUN Financing (see Note 1). Under this note, the Loan Fund made advances to SUN Financing in the aggregate principal amount of $10,000,000. Funds advanced are used to acquire and refinance homes at risk of foreclosure. This intercompany loan bears interest at 3.5% per annum and interest is due quarterly through maturity of December 31, 2025, when all remaining principal is due. Interest paid to the Loan Fund was $177,431 for 2024 and 2023. As of December 31, 2024 and 2023, principal outstanding under this agreement totaled $5,000,000.

4. ALLOWANCE FOR CREDIT LOSSES

Loan loss reserves is the term used by the Loan Fund and certain significant investors to refer to the balance of loan loss allowances plus net assets without donor restrictions which have been designated by the Board of Directors as a hedge against potential loan losses. Covenants with certain significant investors require the Loan Fund to maintain loan loss reserves equal to at least 5% of loans receivable of the Loan Fund. The ACL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans, in accordance with ASC Topic 326. Loans are charged-off against the ACL when management believes the lack of collectability of a loan balance is confirmed.

The Loan Fund's allowance for credit losses consists of the following as of December 31:

	2024	2023
Allowance for credit losses, in accordance with Topic 326 (see below and Note 2)	$ 3,314,070	$ 3,160,270
Board designated net assets for general loan loss reserves	13,508,742	9,555,826
	$ 16,822,812	$ 12,716,096

The Loan Fund estimates the allowance balance using relevant information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in interest rates or other relevant factors. After the reasonable and supportable forecast period, the Loan Fund's model reverts to historical loss trends. As described, the Loan Fund has analyzed its loan portfolio using the WARM method for the vast majority of its lending and a specifically identified analysis on loans categorized as delinquent or borrowers beginning to exhibit financial difficulty.

Loans Under the WARM Method

The Loan Fund's historical average annual loss rate for the three pools with past loss history are as follows as of both December 31:

	2024	2023
Rehabilitation (Mini-Permanent/Permanent)	0.7%	0.4%
Predevelopment	1.1%	1.1%
Site acquisition	0.1%	0.1%

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Loans Under the WARM Method (Continued)

Based on the historical average annual loss rates noted above, the Loan Fund's WARM calculated loss rates range before any qualitative adjustments is calculated at 0.4% - 6.0% and 0.4% - 3.6% as of December 31, 2024 and 2023, respectively. This is driven from analyzing scheduled principal payments over the life of the loans in these pools beyond the origination date which is based on when management estimates payments in full will occur. Management has assessed no further qualitative factors are applicable to these loan pools as the loans are largely short-term in nature as temporary means of financing and no additional credit risks have been identified above and beyond the history of loss.

Based on the various accounting policy elections made by the Loan Fund in connection with the application of the WARM method (see Note 2), the rate used to calculate the allowance for credit losses applied to the amortized cost basis of loans receivable was comprised of the following inputs:

	December 31, 2024	December 31, 2023
Average Annual Loss Rate:		
Rehabilitation (Mini-Permanent/Permanent)	0.7%	0.4%
Predevelopment	1.1%	1.1%
Site acquisition	0.1%	0.1%
WARM Calculated Loss Rate:		
Rehabilitation (Mini-Permanent/Permanent)	6.0%	3.6%
Predevelopment	1.6%	1%
Site acquisition	0.4%	0.4%
Allowance for Credit Losses - WARM rate range	0.4% - 6.0%	0.4% - 3.6%

Loans Specifically Identified as Delinquent

For loans specifically identified as delinquent, the Loan Fund applies a fixed percentage to the outstanding loans receivable balance to calculate the allowance for credit losses based on individual assessments of the loans, then applied to the risk rating bucket the credit exposure is linked to.

Internal Rating	Applied Fixed Percentage as of December 31, 2024	Applied Fixed Percentage as of December 31, 2023
5	5% - 10%	5% - 10%
6	20%	20%
7	50%	50%
8	100%	100%

The applied percentage for delinquent loans all shows varying degrees of signs of weakness that warrants an additional allowance for credit losses outside of the WARM method allowance calculated on performing loans.

The percentage applied was based on current economic factors at the individual borrower level associated with varying degrees of past due considerations to arrive at the allowance for credit loss applied. Although, grouped into four buckets of risk exposure, each loan is evaluated individually before being assigned a fixed percentage of loss based on management's assessment of overall credit exposure to the Loan Fund.

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Loans Specifically Identified as Delinquent (Continued)

Credit Loss Activity

See below for credit loss activity for the year ended December 31, 2024:

Category	Principal Balance	Applied Percentage	Allowance for Credit Losses
WARM Method:			
Rehabilitation	$ 5,243,375	6.0%	$ 317,121
Predevelopment	12,325,632	1.6%	198,883
Site acquisition	58,484,240	0.4%	223,963
Other **	240,165,326	0%	-
	316,218,573		739,967
Specifically Identified Loans:			
5 rating (special mention category 1)	13,645,129	5% - 10%	1,222,178
6 rating (special mention category 2)	300,755	20%	60,151
7 rating (substandard)	-	75%	-
8 rating (uncollectible)	1,291,774	100%	1,291,774
	15,237,658		2,574,103
Total	$ 331,456,231		$ 3,314,070

** As described previously, of the various loan pool segments determined by the Loan Fund, only three pools have experienced past loss history, and therefore, the remaining loan pool segments have no allowance percentage applied to those loans.

See below for credit loss activity for the year ended December 31, 2023:

Category	Principal Balance	Applied Percentage	Allowance for Credit Losses
WARM Method:			
Rehabilitation	$ 8,066,852	3.6%	$ 187,490
Predevelopment	15,282,383	1.0%	152,107
Site acquisition	58,048,298	0.3%	141,281
Other **	161,734,460	0%	-
	243,131,993		480,878
Specifically Identified Loans:			
5 rating (special mention category 1)	3,611,244	5% - 10%	361,124
6 rating (special mention category 2)	325,526	20%	65,105
7 rating (substandard)	-	75%	-
8 rating (uncollectible)	2,253,163	100%	2,253,163
	6,189,933		2,679,392
Total	$ 249,321,926		$ 3,160,270

4. ALLOWANCE FOR CREDIT LOSSES (Continued)

Loans Specifically Identified as Delinquent (Continued)

Activity within the allowance for credit losses consists of the following for the year ended December 31, 2024:

	Rehabilitation	Pre-development	Site Acquisition	Specifically Identified Loans	Total
Allowance for credit losses, December 31, 2023	$ 187,490	$ 152,107	$ 141,281	$ 2,679,392	$ 3,160,270
Net provision (recovery) for credit loss	129,631	46,776	82,682	(105,289)	153,800
Allowance for credit losses, December 31, 2024	$ 317,121	$ 198,883	$ 223,963	$ 2,574,103	$ 3,314,070

Activity within the allowance for credit loss for the year ended December 31, 2023:

Beginning balance	$ 3,523,233
Provision for credit losses	165,225
Transfer to special tax credit lending reserve (see Note 3)	(442,870)
Other general reserve reclassifications	(85,318)
Ending balance	$ 3,160,270

The above table does not break out the activity within the allowance for credit loss by segment due to the change in segments from 2022 to 2023 with the adoption of Topic 326 during 2023.

5. BONDS PAYABLE

During 2020, the Loan Fund completed its first public debt offering, $75 million in unsecured Sustainability Bonds (the Bonds). During 2024, the Loan Fund completed a second public offering for $86.8 million. Proceeds from sustainability bonds are exclusively applied to finance or re-finance a combination of both green and social projects.

The balance of bonds payable of the Loan Fund was as follows as of December 31:

	2024	2023
The Loan Fund issued a public debt offering of Sustainability Bonds Series 2024A comprised of five-year term bonds for $60,545,000 in November 2024. The issued bonds have a maturity date of July 1, 2029, and an interest rate of 5.29% per annum, payable semiannually. There was no accrued interest as of December 31, 2024. The bonds are rated A+ by S&P Global Ratings.	$ 60,545,000	$ -

5. BONDS PAYABLE (Continued)

	2024	2023
The Loan Fund issued a public debt offering of Sustainability Bonds comprised of ten-year term bonds for $56,250,000 in January 2020. The issued bonds have a maturity date of January 1, 2030, and an interest rate of 3.099% per annum, payable semiannually. Accrued interest as of December 31, 2024, was $871,594. There was no accrued interest as of December 31, 2023. The bonds are rated A+ by S&P Global Ratings.	56,250,000	56,250,000
The Loan Fund issued a public debt offering of Sustainability Bonds Series 2024B comprised of twenty-year tax-exempt bonds for $26,275,000 ($21,275,000 and $5,000,000, respectively) in November 2024. The bond was issued at a premium for total cash proceeds of $27,136,174. The original premium of $861,174 is amortized over the term using the effective interest rate method. There was no premium amortization during 2024 as it would have been immaterial to the consolidated financial statements. The issued bonds have a maturity date of July 1, 2044, and an interest rate of 5.25% and 4.5%, respectively, per annum, payable semiannually. There was no accrued interest as of December 31, 2024. The bonds are rated A+ by S&P Global Ratings.	26,275,000	-
The Loan Fund issued a public debt offering of Sustainability Bonds comprised of seven-year serial bonds for $18,750,000 in January 2020. The issued bonds have a maturity date of January 1, 2027, and an interest rate of 2.89% per annum, payable semiannually. Accrued interest as of December 31, 2024, was $270,938. There was no accrued interest as of December 31, 2023. The bonds are rated A+ by S&P Global Ratings.	18,750,000	18,750,000
Total bonds payable	161,820,000	75,000,000
Add - premium on bond	861,174	-
Less - unamortized debt issuance costs	(1,157,561)	(491,572)
	$ 161,523,613	$ 74,508,428

Debt issuance costs totaling $1,664,586 and $904,192 as of December 31, 2024 and 2023, respectively, are recorded at cost and are amortized over the lives of the Bonds. The Loan Fund uses the straight-line method of amortizing imputed interest associated with these costs, as the effective interest method does not materially impact the consolidated financial statements. Imputed interest totaled $94,405 for the years ended December 31, 2024 and 2023, and is included in interest expense in the accompanying consolidated statements of activities. Total accumulated amortization as of December 31, 2024 and 2023, was $507,025 and $412,620, respectively.

The Loan Fund must comply with various reporting covenants under the Bonds' agreements, all of which the Loan Fund was in compliance as of December 31, 2024 and 2023.

6. LOANS PAYABLE

The balance of loans payable of the Loan Fund were as follows as of December 31:

	2024	2023
The Loan Fund has a $20,000,000 and a $10,000,000 unsecured revolving lines of credit with a financial institution, which originally expired in 2025, but were both extended through December 31, 2028. These lines were both extended subsequent to year end through December 31, 2029. The interest rate on these lines of credit is 2% and interest is due in quarterly payments.	$ 30,000,000	$ 30,000,000
The Loan Fund has a $20,000,000 unsecured term loan with a financial institution, which expires on December 29, 2030. The loan is to be disbursed in two tranches with separate interest rates. The first tranche of $10,000,000 was disbursed as of December 31, 2023, bears interest at a fixed rate of 5.68%. The second tranche of $10,000,000 was disbursed in 2024, bears interest at the Federal Home Loan Bank of Boston Classic Advance Rate as of the date the second tranche is disbursed, plus eighty basis points (4.69% at December 31, 2024). Interest only shall accrue and be payable monthly on both tranches through December 29, 2028, at which time quarterly principal payments of $500,000 shall begin as outlined in the agreement through maturity.	20,000,000	10,000,000
The Loan Fund has a $15,000,000 unsecured non-revolving line of credit with a financial institution, which expires on February 24, 2025. The loan bears a fixed interest rate of 2.75% on the outstanding balance. The line of credit was repaid subsequent to year end.	15,000,000	15,000,000
The Loan Fund has a $15,000,000 unsecured non-revolving line of credit with a financial institution, which expires on March 31, 2027. The loan bears a fixed interest rate of 2.5% on the outstanding balance. Quarterly principal payments of $187,500 commenced in March 2024 with the remainder due at maturity.	14,250,000	15,000,000
The Loan Fund has a $10,000,000 unsecured non-revolving line of credit with a financial institution, which expires on December 15, 2033. The interest rate on this line of credit is 3.3% and interest is due in quarterly payments. Principal payments of $2,500,000 begin in 2030 through maturity.	10,000,000	10,000,000

6. LOANS PAYABLE (Continued)

	2024	2023
The Loan Fund has a $20,000,000 unsecured revolving line of credit with a financial institution, which expires on September 30, 2029. The loan bears a fixed interest rate of 4.96% on the outstanding balance. Interest payments are due on the first day of each month. Principal payments are due at maturity.	10,000,000	-
The Loan Fund has a $25,000,000 unsecured revolving line of credit with a financial institution, which expires on July 29, 2029. The loan bears a fixed interest rate of 5.44% on the outstanding balance (Secure Overnight Financing Rate + 1.5%). Interest payments are due on the first day of each month. Principal payments are due at maturity.	10,000,000	-
The Loan Fund has a $10,000,000 unsecured non-revolving line of credit with a financial institution, which expires on October 31, 2026. The interest rate on this line of credit is 3.5% and interest is due quarterly on the first day of each quarter. Principal payments of $2.5 million were due and made during 2024 and 2023. The remaining amount as of December 31, 2024, is due in 2025 ($2.5 million) and at maturity ($2.5 million).	5,000,000	7,500,000
Total lines of credit	114,250,000	87,500,000
Other loans payable (see below)	27,116,108	29,559,258
	141,366,108	117,059,258
Less - unamortized debt issuance costs	(73,802)	(58,577)
Less - current portion	(21,847,494)	(8,223,391)
	$ 119,444,812	$ 108,777,290

The Loan Fund had a total of $45,000,000 of additional available credit on lines of credit with financial institutions as of December 31, 2024. The above loans payable and lines of credit require the Loan Fund to maintain certain financial ratios and other covenants as specified in the agreements. As of December 31, 2024 and 2023, the Loan Fund was in compliance with these covenants.

Other loans payable of the Loan Fund represent loans by approximately 290 lenders (investors) in principal amounts ranging from $1,000 to $3,000,000. Other loans payable bear interest at rates ranging from 0% to 5.70%, payable at various dates through 2040. In the ordinary course of operations, the Loan Fund may negotiate extensions of maturity with many investors. The current maturities as of December 31, 2024, include approximately $385,000 of loan principal which have matured, but has not been paid or formally extended. Management is in the process of negotiating extensions of these loans. Current maturities as of December 31, 2024, also include approximately $1,014,000 considered due on demand. As of December 31, 2024 and 2023, there was $27,116,108 and $29,559,258, respectively, of outstanding other notes payable.

6. LOANS PAYABLE (Continued)

Debt issuance costs totaling $357,576 and $327,004 as of December 31, 2024 and 2023, respectively, are recorded at cost and are amortized over the lives of their respective loans payable. The Loan Fund uses the straight-line method of amortizing imputed interest associated with these costs, as the effective interest method does not materially impact the consolidated financial statements. Imputed interest totaled $15,347 and $21,048 for the years ended December 31, 2024 and 2023, respectively, and is included in interest expense in the accompanying consolidated statements of activities. Total accumulated amortization as of December 31, 2024 and 2023, was $283,774 and $268,427, respectively.

Principal maturities on loans payable, bonds payable (see Note 5) and imputed interest of debt issuance costs over the next five years of loans and bonds payable as of December 31, 2024, are as follows:

	Bonds Payable		Loans Payable	
Year	Principal Maturities - Bonds	Imputed Interest of Debt Issuance Costs - Bonds	Principal Maturities - Loans	Imputed Interest of Debt Issuance Costs - Loans
2025	$ -	$ 246,745	$ 21,847,494	$ 15,210
2026	-	$ 246,745	11,006,615	$ 15,024
2027	18,750,000	$ 216,292	32,830,056	$ 6,893
2028	18,750,000	$ 216,292	31,390,644	$ 6,378
2029	18,750,000	$ 216,292	11,647,013	$ 12,491
Thereafter	105,570,000	$ 15,195	32,644,286	$ 17,806
Total bonds and loans	161,820,000		141,366,108	
Add - unamortized premium on bond	861,174		-	
Less - current portion	-		(21,847,494)	
Less - unamortized debt issuance costs	(1,157,561)		(73,802)	
Bonds and loans payable, net of current portion	$ 161,523,613		$ 119,444,812	

7. PERMANENT LOAN CAPITAL - SUBORDINATED LOANS PAYABLE

Permanent loan capital - subordinated loans payable consist of long-term subordinated loans payable of the Loan Fund (45 individual loans as of December 31, 2024 and 2023) from financial and other institutions, bearing simple interest at rates ranging from 1.9% to 4%. These loans have substantially similar terms, including annual interest-only payments until final maturity, occurring between 2025 and 2040. An additional note with principal of $2,000,000 requires interest-only payments until February 2028, at which time the note requires additional quarterly principal payments of $250,000 until the balance is repaid. These loans are subordinate and junior to all other obligations of the Loan Fund.

Each loan was issued with an initial maturity of nine to twenty years. The initial maturity dates automatically extend by one year at the end of each of the first five years of the loans' terms. The final maturity dates may then be extended at their anniversary dates, indefinitely, based upon specified criteria in the loan terms and agreements of the Loan Fund and the lenders.

The permanent loan capital - subordinated loans payable was $24,250,000 as of December 31, 2024 and 2023.

7. PERMANENT LOAN CAPITAL - SUBORDINATED LOANS PAYABLE (Continued)

Principal maturities on subordinated loans payable over the next five years as of December 31, 2024, are as follows:

Year	Principal Maturities
2025	$ 900,000
2026	$ -
2027	$ -
2028	$ 1,000,000
2029	$ 1,000,000
Thereafter	$ 21,350,000

8. CREDIT ENHANCEMENTS

The Loan Fund administers proceeds of three grants from the Department of Education (ED) (see Note 2) in collaboration with the Nonprofit Finance Fund to use the grant proceeds plus interest earned to provide credit enhancement for charter schools. The Loan Fund actively monitors this program, and no losses are deemed probable for 2024 or 2023. The Loan fund had the following credit enhancement grants as of December 31, 2024:

Year of Award	Amount	Expiration
2017	$ 8,000,000	2040
2023	$ 12,000,000	2046
2024	$ 15,000,000	2047

Pursuant to the credit enhancement agreements, bank accounts are established as depositories for collateral reserves pledged on behalf of the charter school borrowers. Under the terms of the agreements, the Loan Fund cannot withdraw, transfer, pledge, or otherwise use any funds, securities or other financial assets in these accounts without permission of the secured lenders until termination of the underlying credit enhancement agreements.

Restricted cash of the credit enhancement program consisted of the following as of December 31:

	2024	2023
Cash collateral (eighteen and seventeen arrangements as of December 31, 2024 and 2023, respectively)	$ 14,530,000	$ 13,978,300
Credit enhancement reserve funds	21,671,478	6,433,857
	$ 36,201,478	$ 20,412,157

Approximately $14.5 million and $14.0 million of the cash collateral escrow secures $79.3 million and $64.6 million of loans receivable of the Loan Fund as of December 31, 2024 and 2023, respectively (see Note 3). Of this amount, $517,000 relating to one arrangement was not related to BlueHub, and is not recognized on the Loan Fund's books as of December 31, 2024 and 2023. Additionally, there are $24.4 million and $26.4 million in loans receivables at December 31, 2024 and 2023, respectively, that are secured by $6.1 million and $6.8 million, respectively, of DOE credit enhancement held on the Non Profit finance Fund's statement of financial position.

Interest income reinvested to the grant reserve totaled $789,320 and $353,534 for the years ended December 31, 2024 and 2023, respectively, and is included in net assets with donor restrictions in the accompanying consolidated statements of activities.

8. CREDIT ENHANCEMENTS (Continued)

Maturity dates of the active arrangements as of December 31, 2024, range from April 1, 2025 through February 28, 2037, as follows:

2025	$ 915,000
2026	$ 905,210
2027	$ 5,849,590
2028	$ 4,442,500
2029	$ 1,455,700
Thereafter	$ 962,000

9. CONDITIONAL GRANTS

As of December 31, 2024, the Corporation was awarded a conditional commitment for $4,500,000 from Capital Magnet Fund awards for fiscal year 2024, which contain funder-imposed conditions that represent a barrier that must be overcome, as well as a release from obligations. This amount was received in 2024, however, not applied to qualified projects and is recognized as a conditional advance liability in the accompanying 2024 consolidated statement of financial position (see Note 2).

The Corporation was awarded a conditional commitment for $3,500,000 from Capital Magnet Fund awards for fiscal year 2023, which contain funder-imposed conditions that represent a barrier that must be overcome, as well as a release from obligations. This amount was received in 2023, however, not fully applied to qualified projects and the remainder is recognized as a conditional advance liability in the accompanying 2023 consolidated statement of financial position (see Note 2).

During 2024 and 2023, $3,900,000 and $4,500,000, respectively, of Capital Magnet funds were released from restrictions due to the five-year investment period expiring (see Note 2).

10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Loan Fund's financial assets available within one year from the consolidated statements of financial position date as of December 31, 2024 and 2023, for general operating expenses are as follows:

	2024	**2023**
Cash and cash equivalents	$ 121,141,587	$ 79,505,256
Accounts, grants and other receivables	778,935	183,811
Accrued interest receivable	3,537,728	2,659,379
Current portion of loans receivable	66,063,381	54,380,897
Total financial assets	191,521,631	136,729,343
Board designated reserves (see Note 2)	(13,508,742)	(9,555,826)
Net assets with donor restrictions and conditional advances, less restricted cash	(28,950,709)	(32,313,146)
Total financial assets available to meet cash needs for general expenditures within one year	$ 149,062,180	$ 94,860,371

10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

The Loan Fund's financial resources are generally dedicated to its lending operations. The operations are supported substantially with borrowed capital (see Notes 5 and 6) in proportion with equity resources that reduce the overall cost of funds. The Loan Fund has access to capital to meet loan commitments and demand in the form of repayments of existing loans receivable and available lines of credit and a recently executed public debt offering (see Note 5). To supplement liquidity for mission-related financing, the Loan Fund also utilizes participation strategies and other co-lending agreements with mission-related partners.

The Loan Fund has consistently generated sufficient interest and fees earned on its lending activities to offset operating costs and loan losses. As part of the Loan Fund's liquidity management, the Loan Fund has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

11. ACQUISITION OF BCC NMTC CDE XXIV AND USBCDC INVESTMENT FUND 191 LLC

In March 2017, the Loan Fund made a loan in the amount of $3,934,652 to the Investment Fund, an unrelated third-party. The proceeds of the loan were invested by the Investment Fund into CDE XXIV who loaned the funds to unrelated third-party borrowers.

The Loan Fund granted to US Bancorp Community Development Corporation (USBCDC), an unrelated third party, an option (the Put Option) to sell the Loan Fund its interest in the Investment Fund for $1,000. UBCDC granted to the Loan Fund an option (the Call Option) to purchase their interest in the Investment Fund after the end of the Put Period through December 31, 2024 (Call Period), at fair value. The Put Option was exercised in March 2024 and, as a result, the Loan Fund entered into following series of transactions:

- As part of the NMTC unwind, the Put Option was exercised, at which point the Loan Fund paid $1,000 to USBCDC for its interest in the Investment Fund.
- As part of the acquisition of the Investment Fund which owns CDE XXIV, the Qualified Low-Income Community Investment (QLICI) loans receivable held by CDE XXIV are included in loans receivable in the accompanying consolidated statement of financial position as of December 31, 2024.
- In regard to the note receivable noted above, the Loan Fund assumed the corresponding loan payable and all accrued interest through March 2024 from the Investment Fund for the same principal value of $3,934,652 plus accrued interest of $1,024,212. Consequently, as a result of holding both sides to this loan, the loan was effectively canceled with no impact to the consolidated financial statements.

The table below summarizes the acquisition of Investment and CDE XXIV:

Acquisition of QLICI loans receivable	$ 5,619,864
Assumption of leverage loan payable and accrued interest	(4,958,864)
Assumption of sub-allocation fee to Managed Assets	(660,000)
Put Option payment	(1,000)
	$ -

12. SUBSEQUENT EVENT

In March 2025, the Loan Fund entered into an unsecured term loan with a financial institution. The loan allows for borrowings of up to $10,000,000 with a limit of two draws. The interest rate is SOFR plus 75 basis points which was fixed at 4.5% over the draw period. The term loan requires interest-only payments for thirty-six months and then payments of principal and interest based on a ten-year amortization schedule. There was no balance on this term loan as of April 25, 2025.